

Module: **Marketing Management**  
Module code: **SBLC4000**

## **“Barratt Homes London”**

### **Recommendation Marketing Report for Residential Property Development Industry**



**BARRATT**  
— HOMES —

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## ***Introduction***

United Kingdom has long been facing crisis in the area of housing supply (Parvin et al., 2011). There are a number of underdeveloped residential developers in the UK, which have caused an intricate and disapproving housing market sector (Ibid, 2011). The Barratt developers is one of the Britain's largest House building company and the Barratt Homes residential developer is one of its consumers. Founded in 1958 by Lewis Barratt and Lewis Greensitt, Barratt Homes is one of the leading and most well-known residential property development industries of the UK.

London is an important functioning base for leading commercial property agents and enjoys an enormous share of these firms. The institutional investment is largely concerned specifically in London, regarding the property agents (Crosby and Henneberry, 2016). In the past few years London has been facing economic downfall and Barratt developers have also been a victim of these economic conditions. However, Barratt Homes has made a deal during the last month, to purchase land for 2900 homes from Henley Camland, a land owner in London (Curry, 2018)

## ***Current trends in PESTEL factors of Residential Property Developers Industry***

### ***Political factor***

Government's Home Owner Mortgage:

The government's home owner mortgage support policy scheme has facilitated the people to waive off their mortgage by allowing 80% of total interest (Communities and local government, 2010).

Government funded Equity loan:

The Barratt Homes offers a “Help to buy scheme” which is a government funded equity loan in which the consumers can buy a new home with only 5 % deposit.

England Housing Crisis:

The government of England has decided to build new homes for the people who are unable to afford the high priced houses at an average of 225,000 pounds. It has set a target for 300,000 homes to be built by the year 2020. (Thursday, April 12, 2018, Arab News)

### *Economic Factors*

Consumer Price Index (CPI):

The CPI for the 1<sup>st</sup> and 2<sup>nd</sup> quarter of 2018 is expected to be 2.4% which is same as last year. (Inflation rate forecast: Consumer Price Index (CPI) in the United Kingdom (UK) for 1st quarter 2017 to 4th quarter 2018, Statistics portal)

GDP

The GDP of UK for the current year is forecasted to be 1.5% which is less than the previous year of 1.7 % ((2018, Prospects for the economy, consumer spending and regional growth, UK Economic Outlook)

Employment Rate

The employment rate in London is higher than other regions of UK which has a positive impact at Barratt Homes. (Employment rates in London (UK) in 2017, by age group, Statistics).

*Social factors*

Household size

The average household size in the UK is of two people living in a household either related or sharing a house (Number of households in the United Kingdom (UK) in 2017, by size (in 1,000), Statistics portal)

Income level

The average income level of people in London is between 30,000 pounds to 60,000 pounds (GLA Household incomes estimates, London Data store). According to the estimated income level, 275,000 pounds, an average price of Barratt homes is a relatively higher price of 275,000 pounds is an average price for consumers.

Social structure

In the UK, seven social classes were identified by Helen Horton (2015, The Telegraph)

- The elite class
- The established middle class
- The technical middle class
- New affluent workers
- Traditional working class
- Emergent service workers
- Precariat (the poorest people)

*Technological factors*

Web-based purchasing

The web-based online properties dealers have increased over the past few years. There are industries over 100 acres which are web-based (Fuentes et al., 2013).

Automation

The immense use of advanced machineries in UK has caused many changes in business sectors including, shortage of labor, smarter construction and digital outline for construction.

New technological developments

The large amount of data need has resulted in an ultimate use of new technologies for information processing.

*Environmental factors*

Infrastructure development:

About 144,000 houses were built from 2001 to 2010. Looking at the circumstances the need of people for house building appears to remain unfulfilled till the current year. However it is estimated that construction of about a number of 227,000 houses will take place by the year 2021 (2018, Stamp duties revenues in England and Wales up strongly due to additional homes tax, Property wire).

Climate

In UK the housing sector has to face the challenges due to the climate changes. The government has been try to reduce the emission of carbon and made a target to reduce the carbon to 80% by the year 2050 (Goodeir and Pan, 2010)

## Recycling

According to a new research by Goodier and Pan, 2010, the environment of UK can be made more flourishing by recycling the raw materials and by the usage of renewable energy.

## *Legal factors*

### Tax policy

The tax rate is about 7,161 pounds in UK, while the people residing in London pay about 27,232 pounds that is four times more than the normal rate (London Central Portfolio)

### Residential Stamp Duty

The residential stamp duty was increased by approximately 1.3 billion pounds last year, while Westminster, Chelsea, Kensington and London Boroughs gave about an excess of 0.6 billion pounds. (Barnes, 2018)

### Rules and Regulations

As the United Kingdom is being withdrawal from the European Union, a drastic change in business laws and regulations is expected. When the UK withdraws from EU, a large number of EU laws will become spontaneously inapplicable in the UK, which can greatly impact the business sector (Lovells, 2018).

## ***Audit of Marketing Environment***

### *Internal Marketing Environment*

The company aims to work in teams. They believe that success lies in unity and cooperation; therefore, they launched a scheme known as “share save scheme” which resulted in great success in terms of cooperation. They have 12,000 subcontractors and supplier. However, they still face lack of professionally skilled employees. The company has decided to invest more in training programs to enhance the skills of workers. Strategic report (Annual report and accounts 2015)

### *External Marketing Environment*

From the year 2010, there has been a massive fall in the GDP of UK economy. The reason for the fall has resulted due to the decrease in the number of businesses transactions being undertaken. This has led to a significant reduction of employment rates in the house building sector (Brown et al., 2013).

Collective custom built is a relatively new concept launched in UK which is divided into three divisions the Independent group custom build, Developer enabled custom build and Supported community custom build

The idea is to help the people and partnership business to build homes. This idea contributes greatly in providing an opportunity to Barratt home in making customized houses for the customers. The custom built offers variety in the supply of houses, some with the choice of pre-fabrication (Brown et al., 2013)

## *SWOT Analysis*

### *Strengths*

- The workforce of Barratt Homes consists of employees belonging to diverse backgrounds
- Barratt Homes is very innovative in terms of technology (Dowson et.al., 2012)

### *Weakness*

- Barratt Homes lack skilled labor for construction (Dowson et.al., 2012)
- The company has become highly technology driven which has caused shortage of labor (Dowson et.al., 2012)

### *Opportunities*

- Their strategy is based on management and obtaining better returns on investment each year (John Allan, Chairman, 2015). They have also started to work on the land investment strategy, a new approach to get more improved return on their investments
- Collective custom build provides an opportunity for Barratt homes to develop custom built houses (Brown et.al.,2013)
- They have agreed to operate on 957m pound of land for 16,956 plots in the coming years. Their land have met the investments of 20% gross margin and 25% site ROCE (Annual report and accounts, 2015)

### *Threats*

- The property transactions in England and Wales has fallen to 29% (2018, Stamp duties revenues in England and Wales up strongly due to additional homes tax, Property wire).
- There is still a good amount of stock left to be sold by the company

## ***STP Strategy***

### *Segmentation*

The Barratt Homes is segmented in the housing and construction sector. The company builds houses in the best quality lands and aims to provide high manufacturing to its consumers.

### *Targeting*

There were seven social classes defined in UK by Helen Horton, 2015, which included the elite class, the established middle class, the technical middle class, traditional working class, new affluent workers class, emergent service class and the Precariat (poorest class).

Barratt Homes targets the established middle class. The average price of houses in London is about 225,000 pounds, whereas the average housing price of Barratt Homes ranges from 227,000 to 228,000 pounds (GLA Household incomes estimates, London Data store).

### *Positioning*

The company has positioned itself on being a distinctive group of house developers who are geographically diverse and provide quality manufacturing at every level. They aim to provide the best designs and construction to their consumers (Jäntti, M. and Jenkins, S.P., 2010).

### ***Existing and Potential Market Position***

The Barratt Homes has a revenue growth of 4.65 billion GBP for the year 2017 and market capitalization is £5.58 billion in 2018 whereas, the share in issue is about 1.01 billion. Barratt Homes consists of six operating regions and the northern region has contributed in making most of the sale for the company in the year 2014 (Annual report and accounts, 2015).

It has purchased 14 new properties and about 2500 new houses. It made a target to buy 16 new properties this year. Furthermore, it is planning to build about 2,280 new homes in Scotland this year (2018, Stamp duties revenues in England and Wales up strongly due to additional homes tax, Property wire).

### *Market Competition*

The competitor of Barratt's home is the Berkeley group with a revenue growth of 2.724 billion GBP (2017) and market capitalization of 5.23 billion GBP which is lower than Barratt Homes.

### *The 7 P's of Marketing mix*

The seven P's of marketing mix includes the product, price, place, promotion, people, process and physical evidence.

**Product:** Barratt Home should initiate new construction designs and attractive geographical areas.

**Price:** The house building company should lower the price in order to attract more people and to increase the sale of houses.

**Place:** Although, the company has been quiet successful in bringing high quality improvement with their land strategy, they must aim to operate their business internationally by targeting more operational lands in the foreign areas.

**Promotion:** The promotions must be enhanced through social media, magazines, newspapers, television, radio, billboards and flyers. Barratt Homes must invest more in its advertisement, to make the people more familiar with its service.

**Physical evidence:** The physical evidence plays a great role for Barratt Home London, as the industry is all about manufacturing and construction. The building's physical attribute can make the customer make or break the brand. The company must aim to continuously upgrade the physical quality and revamp the design.

**People:** This aspect refers to the skills of employees which must be enhanced by training the labor and refining the training programs by higher investments in these programs and training sessions.

**Process:** The process must focus upon speedy manufacturing, good quality raw material and an effective supply chain management process.

### ***Recommendations***

- The government must focus on increasing the employment rate in the housing sector to stabilize the economy
- The company must make efforts to overcome the economic crisis and pay the debts
- Must lower the prices to sell the stock of unsold homes.
- Must provide more loan to the customers
- Careful policies must be made regarding the landlords
- The huge amounts of payments and contributions for the exchequers must be taken in to consideration by the government
- London relying on second properties for stamp duty take with an increase of 3% to strengthen up the market, must be prevented, as it can turn out to be harmful
- Government must focus on increasing the property transactions which has decreased to 29% in England and Wales

***Conclusion***

Barratt Homes will sustain its strategy of land investment by targeting the best quality operational lands with a target to acquire about 20% gross margin and 25% ROCE. They aim to improve and extend their service of equity loan known as, “Help to buy” across the England which will help the company to obtain new housing supply (David Thomas, Chief Executive, 2015). The company must take some necessary actions in order to overcome these problems and regain the profits. Coming up with better ideas, new concepts, refined strategies and enhancing the professional skills of workers can certainly help the company to re-conquer its market position, recover the losses and stand out its competitors.

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